

Fiscal Note

State of Alaska
2015 Legislative Session

| | |
|---------------------|--------------|
| Bill Version: | CSSB 74(STA) |
| Fiscal Note Number: | 17 |
| (S) Publish Date: | 4/16/2015 |

Identifier: SB074CS(STA)-DHSS-RR-04-14-15
Title: MEDICAID REFORM/PFD/HSAS/ER
USE/STUDIES
Sponsor: KELLY
Requester: Senate Finance Committee

Department: Department of Health and Social Services
Appropriation: Health Care Services
Allocation: Rate Review
OMB Component Number: 2696

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

| | FY2016 Appropriation Requested | Included in Governor's FY2016 Request | Out-Year Cost Estimates | | | | |
|------------------------|--------------------------------------|--|-------------------------|--------------|--------------|--------------|--------------|
| OPERATING EXPENDITURES | FY 2016 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| Personal Services | | | | | | | |
| Travel | | | | | | | |
| Services | 500.0 | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Commodities | | | | | | | |
| Capital Outlay | | | | | | | |
| Grants & Benefits | | | | | | | |
| Miscellaneous | | | | | | | |
| Total Operating | 500.0 | 0.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Fund Source (Operating Only)

| | | | | | | | |
|----------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Fed Rcpts | 250.0 | | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| 1003 G/F Match | 250.0 | | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Total | 500.0 | 0.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Positions

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

| | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|
| Change in Revenues | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2015) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/16

Why this fiscal note differs from previous version:

This fiscal note has been updated to reflect the bill sectional identifiers corresponding to the Senate State Affairs Committee Substitute for SB 74.

Prepared By: Margaret Brodie, Director
Division: Health Care Services
Approved By: Sarah Woods, Deputy Director, Finance & Management Services
Agency: Health & Social Services

Phone: (907)334-2520
Date: 04/14/2015 05:00 PM
Date: 04/14/15

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

Section 4(a)(8) requires the department to implement a reform program that redesigns the payment process by implementing fee agreements based on performance measures that include premium payments and penalties.

Section 8(a) requires the department to design and initiate one or more managed care or case management demonstration projects by January 31, 2016. The department must enter into a contract to implement the project, and the contract must provide a fee based on a per capita expense. Additionally, for primary care case managers, the fee agreement must include an incentive-based management fee system that must be based on performance measures.

Both sections involve payment reform in that the department is directed to change Medicaid reimbursement from a fee-for-service system to an outcome-based system. Outcome-based reimbursement is based on complex data analysis and calculations that require actuarial expertise. Once an outcome-based reimbursement system is established, administration of the system would still require actuarial expertise that is only available by contract.

Since the objectives from both sections require actuarial expertise, the department would likely use the same contractor for both projects. Specifically, the contractor will analyze and implement a payment model for managed care, and use those concepts to also redesign other payment processes. Upon implementing these payment models, the contractor will be retained for annual actuarial work and assistance with administration.

The initial and ongoing costs associated with hiring a contractor to perform this work are not fully known at this time. Based on consultation with other states, the department estimates a one-time \$500.0 contract for a firm to analyze and implement one or more innovative payment models. Additionally, the department estimates an annual \$100.0 contract for actuarial work and assistance with administration.